

Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-10 EUR-12 NEA-10

SOE-01 AID-05 CEA-01 CIAE-00 COME-00 DODE-00

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ACDA-12 NSCE-00 SSO-00 USIE-00 INRE-00 PA-01

PRS-01 OIC-02 /152 W

-----114885 211212Z /14

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC IMMEDIATE 0447

INFO AMEMBASSY ABU DHABI IMMEDIATE

USIA WASHDC IMMEDIATE

AMEMBASSY OTTAWA IMMEDIATE

AMEMBASSY ALGIERS IMMEDIATE

AMEMBASSY BONN IMMEDIATE

AMEMBASSY BRASILIA IMMEDIATE

AMEMBASSY CAIRO IMMEDIATE

AMEMBASSY DOHA IMMEDIATE

UKOBT/AMEMBASSY JAKARTA IMMEDIATE 287

AMEMBASSY JIDDA IMMEDIATE

AMEMBASSY KUWAIT IMMEDIATE

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AMEMBASSY ROME IMMEDIATE

AMEMBASSY TEHRAN IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

AMEMBASSY TRIPOLI IMMEDIATE

AMEMBASSY VIENNA IMMEDIATE

USINT BAGHDAD

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USIA FOR IOP/M

EO 11652 NA

TAGS: OPEC VE

SUBJ: CARACAS OPEC CONFERENCE: PRESIDENT PEREZ' SPEECH

REF: A CARACAS 12255, B CARACAS 12311

SUMMARY:

PRESIDENT PEREZ OPENED THE FIFTIETH OPEC CONFERENCE WITH A SPEECH MIXING THE STANDARD OPEC AND THIRD WORLD POSITIONS WITH A PROPOSAL TO USE A 5 TO 8 PERCENT OIL PRICE INCREASE TO RELIEVE THE NON-OIL PRODUCING THIRD WORLD DEBT BURDEN. HE REITERATED THE NEW INTERNATIONAL ECONOMIC ORDER OF ARGUMENTS. THE NEED FOR THIRD WORLD UNITY, THE PROBLEMS OF EXCESSIVE DEPENDENCE OF

INDUSTRIALIZED COUNTRIES ON PREVIOUSLY CHEAP ENERGY AND RAW MATERIALS, THE NEED FOR CONSERVATION, AND THE UNFAVORABLE TERMS OF TRADE. THE PRESIDENT THEN PROPOSED THAT THE INDUSTRIALIZED COUNTRIES ACCEPT THE IDEA OF LDC DEBT RELIEF SUGGESTED BY SWEDEN. IF THIS PROVES UNACCEPTABLE, HE SUGGESTED OIL PRICES BE INCREASED 5 TO 8 PERCENT, WITH THE PROCEEDS FOR THE FIRST YEAR TO BE GIVEN TO LDCS TO EASE THEIR DEBT BURDENS.

1. THE OPENING OF THE FIFTIETH CONFERENCE OF PETROLEUM EXPORTING COUNTRIES PROVIDED THE OCCASION FOR VENEZUELAN PRESIDENT CARLOS ANDRES PEREZ TO MAKE A SPEECH WHICH WAS BY TRUNS LIMITED OFFICIAL USE

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MUNDANE AND ELECTRIFYING. HE BEGAN BY REITERATING THE WELL KNOWN THIRD WORLD POSITIONS: 1) THE CHANGING ECONOMIC BALANCE CREATED BY THE GROWING PROPORTION OF OIL AND OTHER NATURAL RESOURCES IN THE LDCS IS CREATING A NEW ECONOMIC ORDER WHICH THE DEVELOPED COUNTRIES ARE NOT RECOGNIZING AS WITNESSED FOR EXAMPLE BY THEIR UNWILLINGNESS TO MOVE FORWARD WITH THE COMMON FUND. 2) A SECURE, RECOGNIZED PLACE IN THE WORLD ECONOMY MUST BE ACCORDED BY THE INDUSTRIAL WORLD TO THE LDCS. THIS IS ONE OF THE KEY GOALS OF OPEC AND IS A COMPELLING REASON TO MAINTAIN OPEC UNITY. 3) THE LDCS PRODUCING OIL AND OTHER RAW MATERIALS CANNOT BE ASKED TO CONTINUE SUBSIDIZING THE WORLD ECONOMY AND INDUSTRIAL SOCIETIES ON WHOSE PROSPERITY IS TOO LARGELY BASED ON ENERGY AND RAW MATERIALS TOO CHEAPLY PRICED. THE OIL PRODUCING COUNTRIES CANNOT ACCEPT THAT OIL IS RESPONSIBLE FOR THIS STATE OF AFFAIRS. 4) THE DEVELOPED COUNTRIES HAVE STRESSED THE GREAT DANGER TO THEIR ECONOMIES AND THUS TO THE WORLD ECONOMY OF HIGHER OIL PRICES. BUT THERE HAS BEEN NO STRESS ON THE FACT THAT THE PRICES OF MANUFACTURED PRODUCTS AND CAPITAL GOODS IMPORTED FROM THE DEVELOPED COUNTRIES, HAVE INCREASED AND THE DOLLAR, THE CURRENCY IN WHICH OIL EXPORTS ARE DENOMINATED, HAS LOST VALUE VIS-A-VIS OTHER INDUSTRIALIZED COUNTRY CURRENCIES. IN SHORT, THE OPEC COUNTRIES HAVE SUFFERED A

DETERIORATION IN THE REAL PRICE OF OIL AND THE LDCS IN GENERAL HAVE SUFFERED NEW AND SERIOUS TERMS OF TRADE SET BACKS.

2. TAKING THE CONCERN FOR THE WORLD ECONOMY AS HIS THEME PRESIDENT PEREZ MOVED ON TO A MORE STRIKING PROPOSAL. FULL RECOVERY OF THE INDUSTRIAL ECONOMIES IS UNQUESTIONABLY OF CRUCIAL IMPORTANCE AND THE "SINKING" ECONOMIES OF THE NON-OIL PRODUCING LDCS MAKE THE RECOVERY MORE PRECARIOUS. THE NON-OIL LDCS ARE BURDENED WITH ENORMOUS DEBT; AT THE SAME TIME THEIR PURCHASING POWER IS DECREASING FOR THE TERMS OF TRADE AND DOLLAR DEPRECIATION REASONS GIVEN ABOVE. THE INDUSTRIALIZED COUNTRIES COULD GO FAR TOWARD SOLUTION BY FOLLOWING THE ADVICE OF THE GOVT OF SWEDEN AND LIMITED OFFICIAL USE

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CANCELLING THIRD WORLD DEBT. THIS DEBT HAS GROWN FROM 40 BILLION DOLLARS IN 1973 TO 180 BILLION IN 1977; 40 PERCENT OF IT IS HELD BY PRIVATE COMMERCIAL BANKS. SUCH A DECISION WOULD NOT BE CHARITY OR A GIFT BUT A VERY CLEVER BUSINESS DEAL ON THE PART OF THE INDUSTRIALIZED COUNTRIES WHICH, THROUGH ASSISTING THE LDCS, WOULD STRENGTHEN INTERNATIONAL TRADE AND HELP RESTORE HEALTH TO THE WORLD ECONOMY. THIS PROPOSAL IS NOT YET UNDERSTOOD IN THE INSENSITIVE CONSCIENCE OF THE GREAT NATIONS WHERE DEBT IS SACRED.

3. OPEC COULD IN FACT PRODUCE SOMETHING OF THE SAME RESULT, AS A DEBT CANCELLATION ON A SMALLER SCALE, BY RAISING THE PRICE OF OIL FIVE TO EIGHT PERCENT AND DEVOTING THIS INCREASE FOR ONE FULL YEAR (EMBASSY'S ROUGH ESTIMATE IS 7-10 BILLION DOLLARS) TO PAY SOME OF THE DEBT OF THE LDCS. IN ADDITION TO ALLEVIATING LDC FINANCIAL STRESS, THE HIGHER PRICE WOULD HELP FORCE CONSERVATION OF OIL WHICH THE INDUSTRIALIZED COUNTRIES THEMSELVES RECOGNIZE AS ESSENTIAL.

4. THE REMAINDER OF THE SPEECH WAS MORE ROUTINE. PRESIDENT PEREZ STRESSED THE NEED FOR CONSERVATION OF OIL AND GAS BY ALL COUNTRIES, INCLUDING DIRECTING OF DEVELOPMENT IN WAYS THAT WILL BE ENERGY CONSERVING. HE RETURNED TO THE DEPRECIATED DOLLAR AND THE UNFAVORABLE TERMS OF TRADE AND THE NEED TO ESTABLISH RESEARCH AND DEVELOPMENT CENTERS IN THE THIRD WORLD TO REDUCE DEPENDENCY ON INDUSTRIALIZED COUNTRY TECHNOLOGY.

5. COMMENT: THE PROPOSAL OF A 5 TO 8 PERCENT PRICE INCREASE HAS OTHER ATTRACTIONS FOR OPEC THAN THE OBVIOUS EASING OF NON-OIL LDC DEBT BURDENS AND MAINTAINING A REGIMEN OF PRICE INCREASES. IT PLACES THE OPEC IN A GENEROUS LIGHT, STILLS OTHER LDC CRITICISM, CASTS THE INDUSTRIALIZED COUNTRIES AS INTERNATIONAL ECONOMIC VILLIANS IF THEY DO NOT AGREE TO THE IDEA, AND MAY GIVE LIMITED OFFICIAL USE

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HEAVILY INDEBTED LDCS EXCUSE FOR ADOPTING MORE RELAXED
ATTITUDES TOWARD DEBT. PRESIDENT PEREZ CAREFULLY NOTED THAT
SIGNIFICANT PART OF THE DEBT WAS HELD BY PRIVATE
BANKS.
THE TEXT OF THE SPEECH HAS BEEN TRANSMITTED IN ENGLISH
TRANSLATION BY FBIS. EMBASSY WILL COMPARE OUR
TEXT WITH FBIS AND SEND CHANGES IF NECESSARY.
CROWLEY

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Message Attributes

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